

Media Release

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EXTENDED WARRANTIES UNDER SCRUTINY

The Commissioner for Consumer Affairs Paul White is warning people to think twice about purchasing extended warranties.

“Most consumers will be familiar with the offer of an extended warranty, particularly when purchasing computers or whitegoods” said Mr White.

“For a fee, you can extend the warranty on the product you’ve just purchased beyond that provided by the manufacturer.

“The truth is however, in almost all cases consumers are already protected by consumer guarantees or ‘statutory warranties’ under the Australian Consumer Law (ACL).

“This means a lot of people are paying good money for rights they already get as part of the original purchase.

Mr White said that consumer affairs and fair trading agencies across Australia are focusing the spotlight on extended warranties as part of a national awareness campaign this summer.

“Serious questions are being raised about the value of extended warranties, and whether they offer any greater protection than that already provided by the Australian Consumer Law.

“The ACL offers consumers a number of protections against faulty products, products that don’t last a reasonable time, and those that don’t perform as expected – the very reasons people are tempted to buy extended warranties.

“One of the key guarantees under the ACL is that goods sold are of acceptable quality, and among other things, this includes durability. Goods must function for a reasonable time after purchase without breaking down.

“What is a ‘reasonable time’ is determined by such things as the price and nature of the goods, any statements about the goods on any label or packaging, and any representation about the goods made by the manufacturer or supplier.

“Put simply, you would expect a \$100 toaster to last longer than you would a \$10 toaster.

“Another guarantee requires that products perform in line with any claims made by the supplier.

“When suppliers or manufacturers make extra promises about such things as the performance or characteristics of goods, an ‘express warranty’ is established.

“For example, a new mattress may come with a two-year manufacturer’s warranty, but



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if the supplier tells you the mattress will last 10 years, they are providing you with an additional guarantee, or express warranty, and must honour that claim.

Mr White said that in addition to protecting consumers who inadvertently bought faulty products, the ACL made it illegal for retailers to make false or misleading claims about extended warranties.

“Any retailer who claims an extended warranty provides consumers with extra protection, when it simply offers what they already get under the ACL, faces hefty fines — up to \$220 000 for an individual and \$1.1 million for a corporation,” said Mr White.

“Retailers have legal obligations to consumers and cannot avoid these by claiming the rights are only available through an extended warranty.”

Consumer and Business Services will be actively reviewing extended warranty products and representations made about them to assess compliance with the ACL.

For more information on the Australian Consumer Law, visit www.cbs.sa.gov.au or call 131 882